

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-13 NSC-05 AID-05  
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 ICA-11  
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01  
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FM AMEMBASSY LIBREVILLE  
TO SECSTATE WASHDC 0969  
INFO AMEMBASSY LUSAKA

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CORRECTED COPY ADD EO, TAGS, SUBJ,

E.O. 11652: GDS  
TAGS: EFIN, EAID, EF, AFDB, AFDF  
SUBJ: BERGSTEN MEETING WITH ZAMBIA FINMIN J.M. MWANAKATWE

FROM US DELEGATION AFRICAN DEVELOPMENT BANK/FUND

1. BERGSTEN MET WITH ZAMBIAN FINMIN JOHN MWANAKATWE MAY 3, 1978 DURING COURSE OF AFDB/AFDF ANNUAL MEETING FOR REVIEW OF ZAMBIAN ECONOMIC SITUATION. MWANAKATWE INDICATED THAT HE WANTED TO RAISE CERTAIN ISSUES WHICH PRESIDENT KUANDA PLANS TO DISCUSS WITH PRESIDENT CARTER DURING HIS UPCOMING VISIT TO WASHINGTON.

2. MWANAKATWE SAID THAT THE GOZ WAS NOW OPERATING ON AN AUSTERITY BUDGET, AND THEREFORE EXPECTS THE 1978 BUDGET DEFICIT TO AMOUNT TO THE APPROXIMATE EQUIVALENT OF US \$90 MILLION; DOWN FROM A 1977 FIGURE OF US \$140 MILLION. HE INDICATED THAT THE DECREASE WOULD BE ACHIEVED LARGELY THROUGH TAX INCREASES, A CUT IN GOVERNMENT EXPENDITURE, AND A REDUCTION IN CONSUMER SUBSIDIES. HE ALSO INDICATED THAT THE AUSTERITY PROGRAM SUPPORTS THE IMF

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STANDBY AGREEMENT WHICH INCLUDES A TOTAL PLEDGE OF SDR 314 MILLION OVER A TWO YEAR PERIOD.

3. MWANAKATWE INDICATED THAT, DESPITE THE IMF AGREEMENT, ZAMBIA WILL STILL EXPERIENCE CASH FLOW PROBLEMS, AND MUST ALSO RAISE FUNDS THROUGH BILATERAL GOVERNMENT AGREEMENTS OR FROM COMMERCIAL SOURCES. HE

SAID THAT THE ZAMBIAN DEBT ARREARAGE NOT TOTALS US: 475 MILLION, OR A 15-MONTH PAYMENT PIPELINE.

4. MWANAKATWE CONFIRMED ZAMBIAN DESIRE TO ARRANGE A MULTILATERAL DEBT CONSULTATIVE GROUP IN COOPERATION WITH WORLD BANK. HE ALSO INDICATED THAT THEY ARE CURRENTLY ATTEMPTING TO SEEK FINANCING THROUGH COMMERCIAL SOURCES IN THE U.S., UK, AND JAPAN, AND STATED THAT INITIAL CONTACTS HAVE BEEN ENCOURAGING. MWANAKATWE CONCLUDED THIS ASPECT OF THE DISCUSSION BY EXPRESSING HOPE THAT THE UNITED STATES COULD MAKE ADDITIONAL ODA AVAILABLE TO ZAMBIA TO ASSIST IN THE CURRENT PROGRAMS.

5. BERGSTEN COMMENDED ZAMBIA FOR ITS COOPERATION WITH THE IMF AS THE CENTRAL ELEMENT IN SOLVING THE CURRENT PROBLEMS, AND ALSO ENDORSED ZAMBIA'S EFFORTS TO DEVELOP A LONG-TERM DEVELOPMENT PLAN AND RAISE COMMERCIAL FUNDS, HE ENCOURAGED CREATION OF CONSULTATIVE ARRANGEMENT AND INDICATED WILLINGNESS TO DISCUSS POSSIBILITY OF U.S. PARTICIPATION IN FURTHER DETAIL IN WASHINGTON. REGARDING STEPPING UP OF FAST-DISBURSING U.S. ASSISTANCE, BERGSTEN MENTIONED POSSIBILITY OF INCREASED PL480 AND ACCELERATED DISBURSEMENT OF EXISTING LOANS.

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5. IN OTHER PARTS OF CONVERSATION, MWANAKATWA EXPRESSED PLEASURE AT ADMINISTRATION'S PROPOSAL TO INCREASE COPPER STOCKS AND STATED U.S. WILLINGNESS TO DISCUSS COMMODITY AGREEMENTS. IN ADDRESSING THE COMMODITIES ISSUE, BERGSTEN CONFIRMED OUR CONTINUING INTEREST IN THE U.S. COMMON FUND PROPOSALS AND HOPED THAT NEGOTIATIONS COULD BE RESUMED. MWANAKATWE EXPRESSED VIEW THAT POSITIONS TAKEN BY PARTICIPANTS IN UNCTAD DISCUSSIONS WERE NOT IRRECONCILABLE AND FELT THAT THE DIALOGUE COULD CONTINUE.

6. COMMENT: AS STATED EARLIER, ZAMBIA WERE PRIMARILY INTERESTED IN LAYING GROUNDWORK FOR CARTER/KUANDA MEETING. MWANAKATWE STATED THAT PRESIDENT KUANDA KNEW OF HIS PLANS TO RAISE THESE ISSUES WITH BERGSTEN AT THE AFDB ANNUAL MEETINGS. BERGSTEN ASSURED MWANAKATWE THAT HE WOULD CONVEY THE ZAMBIAN CONCERN TO WASHINGTON IMMEDIATELY. TIENKEN

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## Message Attributes

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**TAGS:** EFIN, EAID, ZA, GN, AFDB, AFDF, (MWANAKATWE, JOHN), (BERGSTEN, C FRED), (BERGSTEN)  
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